

TECHNICAL ASSISTANCE –USING OPEN RANGES AND INDIVIDUAL PAY DECISIONS

Prepared by the Division of Human Resources in the Department of Personnel & Administration. Revised October 11, 2002.

- Open ranges have applied to the state personnel system since July 1, 1998. The Performance Pay System was fully implemented on July 1, 2002 when the first performance awards were paid.
- There are choices to make when determining pay under open ranges. Open ranges are not a “free for all”. Department and institution (“agency”) practices should be set based on business needs.
 - Need to plan. Dissect the action into its separate parts. Don’t forget the impact of future actions and the position in the range of current employees. Play it through before setting expectations for a certain salary.
- Consistency, sound business rationale, involvement, and communication are the keys.

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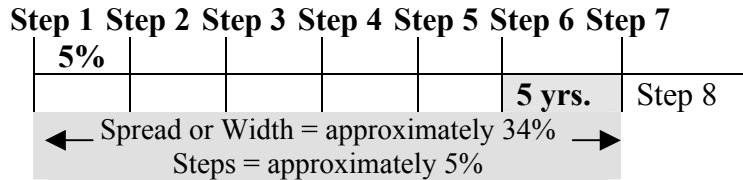
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ANATOMY OF A RANGE

Range Prior to 7/2/98



Open Range from 7/2/98 through 6/30/01

Base Building			Non-Base Building		
			5-year zone		
Min.		5-Yr.	JR	TM	Max
← Spread or Width Varies by Occupational Group →					

Note: in some occupational groups, the 5-year rate and Job Rate (JR) were reversed. Refer to the compensation plan for a given fiscal year to obtain the actual rates for specific classes.

Open Ranges from 7/1/01 through 6/30/02

Base Building		
5-year zone		
Min.	5-Yr.	Max
← Spread or Width Varies by Occupational Group →		

Open Ranges as of 7/1/02

Base Building		
Min.		Max
← Spread or Width Varies by Occupational Group →		

Terms Defined

Minimum (Min.) – lowest base pay amount allowed for a job in the range.

Maximum (Max.) – highest base pay amount allowed for a job in the range. Any base pay above this point is subject to the three-year saved pay policy and clock. (Similar to the former step-7 concept.)

The former **5-Year Rate** (5-Yr.) was actually a zone within a range to mark the beginning point of the zone that requires 5 years of service before receiving an anniversary increase. (Similar to the former step-6 concept.) This rate and zone were repealed in June 2002.

SERVICE DATES

A service date is the date of hire. Normally service dates do not change, including for military leave and military training leave. Exceptions are as follows.

- A break in service of more than 90 days for certified employees requires a new service date based on the date of rehire.
- A break in service of 90 days or less for certified employees or reemployment requires an adjustment of one month forward for every 173 working hours not actually worked.
- Probationary employees who have any break in service receive new service dates based on the date of rehire.
- Service dates are also adjusted one month forward for every 173 working hours of leave-without-pay.

Interpretation. Employees working in two part-time positions after January 1, 1989, receive state personnel system benefits for each position based on time worked in each individual part-time position. For example, an employee who works concurrently in two part-time positions accrues leave based on the percentage of time worked in each position and receives seniority credit based on the length of time worked in each position. This applies regardless of whether the employee works in two part-time positions for the same or different agencies or works part time in the same or different classes. However, all state service must be counted for Family and Medical Leave Act purposes.

PERFORMANCE AWARDS

System Parameters

- Performance awards are based on the final overall rating of satisfactory or above – not seniority or longevity. They may be base building, non-base building, or a combination.
- All awards are effective and payable in July. A base-building award becomes part of the base salary on July 1. A non-base building award is a one-time lump sum paid in July. Awards are calculated using the base salary in effect on July, after any promotions demotion, lateral, system maintenance study, and salary survey adjustment.
- In addition to the final overall performance rating, the actual amount of an award is determined by the performance pay program for the employee's current agency as of July 1. State personnel system policies also apply.
 - An agency's program can define how it will pay awards to employees who are new to the state personnel system during the performance cycle.
 - If an employee moves to another agency prior to the payment of an award, the agency where the employee resides as of July 1 will determine the actual amount of the award.
- The award percentage for a given level must be greater than the maximum award percentage for the lower level.
 - Unsatisfactory – no performance award is given.
 - Satisfactory – the performance award percentage must be greater than 0 and less than the minimum award for above standard. The award cannot exceed the maximum of the range. If base pay is at range maximum or in saved pay above the maximum, no performance award is given.
 - Above Standard – the minimum performance award percentage must be greater than the maximum award for satisfactory. The award cannot exceed the maximum of the range. If base pay is at range maximum or in saved pay above the maximum, no performance award is given.
 - Outstanding – the minimum performance award percentage must be greater than the maximum award for above standard. Base building awards cannot exceed the maximum of the range. If base pay is at range maximum or in saved pay above the maximum, a non-base building award may be given, subject to the statewide maximum percentage set by the state personnel director.

ANNUAL SURVEY ADJUSTMENTS

System Parameters


- Survey adjustments are based on the annual total compensation survey.
- The grade assigned to a class does not change. For example, the grade for Administrative Assistant I is G22 and stays the same regardless of the survey adjustment.
- The values in the range itself are adjusted for any survey movement. For example, if the Administrative and Support Related occupational group receives a 5% increase, grade G22's minimum and maximum are increased 5%.
 - The base salary of all employees within a range (minimum to maximum) is adjusted by the percentage for the occupational group. Using the above example, the base salary of an Administrative Assistant I at mid-range would be adjusted by 5%; thus, remaining at mid-range (same relative position in the range).

Example

Administrative Assistant, Grade 22, receives a 5% survey adjustment.

Grade 22 before survey adjustment

Employee		
Min. \$1329	\$1478	Max. \$1888
Grade 22 after survey adjustment		
Employee		
Min. \$1395	\$1552	Max. \$1982



Application of the Salary Survey Adjustment to Employees on a Disciplinary Salary Reduction

- Q. At the time salary survey adjustments are implemented, an employee is under a disciplinary pay reduction in the current grade. When is the survey adjustment applied and to which salary (regular or reduced)?
- A. The salary survey adjustment is applied to the salary in effect at the time of survey adjustment implementation, typically on July 1. Salary survey adjustments cannot be withheld from any employee. Unlike performance awards, salary survey adjustments are market adjustments to maintain prevailing wage among classes. For an employee under disciplinary salary reduction at the time the salary survey adjustment is implemented, the survey adjustment is applied to the current reduced salary. Once the disciplinary reduction ends, the salary survey adjustment is then applied to the pre-disciplinary salary in order to calculate the new regular salary in effect from this point forward.

- Example. The employee is placed on a disciplinary salary reduction in the current grade from June 1 through October 31. Regular base pay prior to the discipline was \$1000 and is reduced to \$900. The salary survey adjustment is 5% and implemented on July 1.

May 1	\$1000 regular salary in grade X01
June 1	\$ 900 disciplinary reduction in grade X01 (reduction may be a percent or set dollar amount)
July 1	\$ 945 survey adjustment of 5% for grade X01
November 1	\$1050 new regular salary in grade X01 from 11/1 forward (pre-disciplinary salary x 1.05% survey)

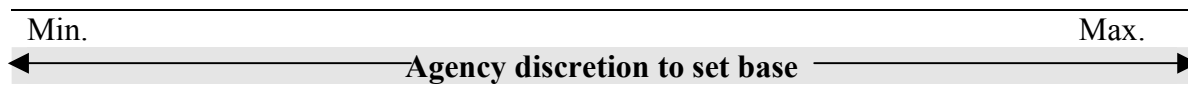
- Q. What rate of pay is used upon separation for leave payout purposes? For example, an employee went on short-term disability leave beginning April 1 and is unable to return so is separating October 1. The rate of pay in EMPL is still the April amount because the employee was in unpaid status when the survey adjustments were made (salary record is not updated until employee returns). What rate is used for paying out the annual leave the employee still has?
- A. The rate of pay used to calculate payments of salary and leave is the rate that is or should be in effect on the date of separation. In this case, the rate of pay for the October payout includes the July salary survey adjustment even though short-term disability benefits use the rate in effect at the time the event began. If the employee were to return to paid status for even a portion of a day, the salary record would be updated to reflect the automatic salary survey adjustment of July 1. Also, if the employee did not resign, the annual leave being used would be paid at the higher salary rate until it is exhausted. This allows for the most consistent treatment of all separating employees.

HIRES

System Parameters

- Used to appoint someone to the state personnel system, e.g., new hire, return by reinstatement, or entry into the state personnel system from other state government system.
- Typically hire at the minimum of the range unless unusual circumstances justify hiring above the minimum.
- Applies to temporary employees also.

Open range structure for hiring



Agency Practice

- Is it communicated to all?
- Was the input of others sought when developing the agency practice, e.g., budget officers, managers, etc.?
- Why is the practice set the way it is (motivation and rationale)?
- Is it defensible?
- Current market conditions.

Is there bonafide difficulty in recruiting and hiring? Are you sure it is due to base pay?

- Turnover rate.

Is there bonafide retention difficulty? Are you sure it is due only to base pay?

- Competencies, knowledge, experience.

Does the candidate bring something special or unique that is required in the job but unavailable in the current workforce or applicant pool?

- Salary level.

Do you need to meet or exceed the candidate's current base pay level? Have alternatives to higher base pay been considered, e.g., incentives, discretionary pay differentials, work-life, and performance awards? What about the short- and long-term impact on budget? Have you considered the total compensation package?

- Internal equity.

Has the location in the range of current employees been considered? Has the impact on future hires been considered? What about the impact on morale of others? What about the impact on future potential economic opportunity within the range for the person hired above the minimum?

Hiring Calculations

1. Set the desired hiring base pay rate.
2. Check the location in the range of the desired hiring rate.

Examples

Example 1. A new Carpenter is hired at D40.

Step 1. \$2495 is the desired hiring salary.

Step 2. Check the position in the range. It is the minimum of the range and becomes the base.

Min.	Max.
\$2495	\$2927
Hire	

Example 2. A Nurse left several years ago at a salary of \$3600. The person is returning as a Nurse at grade C47 on 9/1/02.

Step 1. \$3700 is the desired hiring salary.

Step 2. Check the position in the range. It is within the range and becomes the base.

Min.		Max.
\$3220		\$4590
	\$3700	
	Hire	

HIRES – Reemployment

System Parameters

- Only applies to laid-off employees who are coming back from a departmental reemployment list.
- Reemployed at the base pay rate in effect at the time of layoff, including saved pay.

Reemployment Calculations

1. Set base at the same amount it was at the time of the layoff.
2. Check location in the range.
 - If above the maximum, continue (or set) the 3-year saved pay clock.

Example

A Nurse at grade C45 went into saved pay on 8/1/98 with a salary of \$4118. The employee was laid off on 8/1/99. The employee is reemployed on 1/1/00.

Step 1. Base pay was \$4118 at the time of reemployment (had one year at saved pay).

Step 2. Reemployment base pay of \$4118 was still above the range maximum of \$3735 so continue the 3-year saved pay clock. Set it at 01/02.

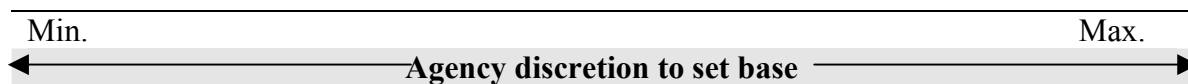
Min.	Max.	\$4118
\$2620	\$3735	Base
		1/02 clock

UPWARD AND LATERAL MOVEMENT

System Parameters

- Upward movement is when the new range has a higher maximum than the current range, e.g., system maintenance studies, individual allocations, or promotions. System maintenance studies are implemented once a year and on a dollar-for-dollar basis; thus, they are not part of the following information.
- Lateral movement is when the range is the same or the new range has the same maximum.
- Base pay can remain the same or increase by any amount up to the maximum of the new grade (same grade if lateral). The base pay in the new range cannot be below the minimum of the new range or less than current base.

Open range structure for upward and lateral movements.



Agency Practice

- Is it communicated to all?
- Was the input of others sought when developing the agency practice, e.g., budget officers, managers, etc.?
- Why is the practice set the way it is (motivation and rationale)?
- Is it defensible?
- Appointing the person.

How much of a change in assignment has occurred due to the upward or lateral movement? How far is it stretching the employee's competencies? Is the employee bringing something unique or special (competencies, knowledge, experience) to the assignment that is not available elsewhere?

- Current market conditions.

Is there bonafide difficulty in recruiting and hiring? Are you sure it is due to base pay?

- Turnover rate.

Is there bonafide retention difficulty? Are you sure it is due only to base pay?

- Salary level.

Do you need to meet or exceed the employee's current base pay level? What is the practice in other units or agencies for the same occupation? Have alternatives to higher base pay been considered, e.g., incentives, discretionary pay differentials, work-life, and performance awards? Have other increases that will occur over the next year been included, e.g., survey? What about the short- and long-term impact on budget? Have you considered the total compensation package?

- Internal equity.

Has the location in the range of current employees been considered? Has the impact on future movements of other employees been considered? What about the impact on morale of others? What about the impact on future potential economic opportunity within the range for the person being moved?

Upward and Lateral Calculations

1. Calculate the anticipated base (current base + agency's practice).
2. Compare anticipated base with the maximum of the new range. The maximum of the range cannot be exceeded in any circumstance.

Examples

** For the following examples, the agency practice is to allow a base-building increase of up to 10%, rounded to the nearest dollar.

Example 1. A Structural Trades II at grade D40 promotes to a Structural Trades III, grade D46 on 9/1/02. The employee is currently earning \$2500.

Step 1. $\$2500$ (current base) + $\$250$ (10% of current base) = $\$2750$ (anticipated base).

Step 2. Anticipated base is below the minimum of the new grade. New base is $\$2889$.

Structural Trades II, grade D40

Min.		Max.
\$2495		\$3500
	\$2500	
	now	

Structural Trades III, grade D46

Min.		Max.
\$2889		\$4052
new		

Example 2. A Nurse I, grade C47, promotes to Nurse II, grade C49, on 9/1/02. The employee is earning \$4300.

Step 1. \$4300 (current base) + \$430 (10% of current base) = \$4730 (anticipated base).

Step 2. Anticipated base of \$4730 is within the new range and becomes the new base on 9/1/02.

Nurse I, grade C47

Min.		Max.
\$3220		\$4590
	\$4300 now	

Nurse II, grade C49

Min.		Max.
\$3379		\$4820
	\$4730 new	

DOWNWARD MOVEMENT

System Parameters

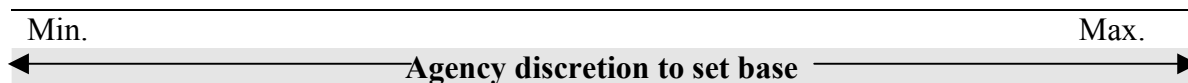
- Downward movement is when the new range has a lower maximum than the current range. It can be the result of changes to the system or application of the system, e.g., system maintenance studies, individual allocations, or survey. It can also be the result of individual action, e.g., voluntary or disciplinary demotions, layoff (addressed below in next section).
- Saving current base pay above the maximum of a range is required for system maintenance studies, individual allocations, and survey. It applies for up to 3 years. At the end of 3 years, base pay is set at the maximum of the grade.
 - The base pay of an incumbent whose position is allocated to a class with a lower maximum is equal to the current base pay. This applies to trial service and probationary employees, as well as to certified employees.
 - Whenever an employee above the maximum (in saved pay) is demoted as the result of a job evaluation action, the employee continues to receive the salary received prior to the demotion. A new 3-year clock is started for each demotion resulting from a job evaluation action.

DOWNWARD MOVEMENT – Non-disciplinary & Disciplinary Demotion

System Parameters

- Base pay in the new grade can be set at any amount that does not exceed current base pay **and** does not exceed the maximum of the new range. Saved pay does not apply.

Open range structure for non-disciplinary and disciplinary movement.



Agency Practice for Non-disciplinary Demotions

- Is it communicated to all?
- Was the input of others sought when developing agency practice, e.g., budget officers, managers, etc.?
- Is it defensible?
- How much of a change in assignment has occurred due to the demotion?
- Current market conditions.

What is the “going rate” for a fully operational position in the new occupation or level? Is there bonafide difficulty in recruiting and hiring? Is there bonafide retention difficulty? Are you sure it is due to base pay?

- Salary level.

Do you want to preserve the employee’s current base pay to the extent possible? What is the reason for the demotion or layoff? Have you accounted for the separate “earned” concept? Have other increases that will occur over the next year been included, e.g., survey? What about the short- and long-term impact on budget? Have you considered the total compensation package?

- Internal equity.

Has the location in the new range of current employees been considered? What is the impact on morale of others?

Non-disciplinary Demotion Calculations

1. Calculate the anticipated base. Do not exceed current base.
2. Compare anticipated base with the maximum of the new range. Do not exceed the maximum of the new range.

Examples

Example 1. A Structural Trades III at grade D46 voluntarily demotes to the II level, grade D40 on 9/1/02. The employee is currently earning \$3700.

Step 1. The anticipated base is \$3700 (current base) but that is above the maximum of the new range. Set the new base at \$3500 (maximum of the new grade).

Structural Trades III, grade D46

Min.		Max.
\$2889		\$4052
	\$3700	
	now	

Structural Trades II, grade D40

Min.		Max.
\$2495		\$3500
		new

Agency Practice for Disciplinary Demotions

- What is the rationale for the decision?
- Is it defensible?
- How much of a change in assignment has occurred due to the demotion?
- Salary level.

Have you considered other increases that will occur over the next year, e.g., survey?

- As discussed under “Annual Survey Adjustments” above, the salary survey adjustment is applied to the salary in effect at the time of survey adjustment implementation, typically on July 1. For an employee under disciplinary salary reduction at the time the salary survey adjustment is implemented, the survey adjustment is applied to the current reduced salary. Once the disciplinary reduction ends, the salary survey adjustment is then applied to the pre-disciplinary salary in order to calculate the new regular salary in effect from this point forward

Disciplinary Demotion Calculations

The calculations and parameters are the same as non-disciplinary demotions. Do not exceed current base. Do not exceed the maximum of the new range. Saved pay does not apply.

Example

A Structural Trades III at grade D46 is disciplinarily demoted to the II level, grade D40 on 9/1/02. The employee is currently earning \$3800.

Step 1. The anticipated base is \$3600 but that is above the maximum of the new range. Set the new base at \$3500 (maximum of the new grade).

Structural Trades III, grade D46

Min.		Max.
\$2889		\$4052
	\$3800	
	now	

Structural Trades II, grade D40

Min.		Max.
\$2495		\$3500
		new

DISCRETIONARY PAY DIFFERENTIALS

System Parameters

- Completely separate from upward, downward, and lateral movements.
- An agency may use one, some, all, or none of the discretionary pay differentials.
- The agency must have a plan that is communicated to all **before** using discretionary pay differentials.
- Agency considerations:
 - Involve others in design and collect input before implementation;
 - Existing budget (availability and source);
 - Location of employee and others in range;
 - Use of hires above minimum;
 - Market conditions;
 - Impact on short- and long-term budget;
 - Impact on other differentials such as overtime and shift; and,
 - Turnover rate and recruiting difficulty along with possible causes.
- An individual written agreement with the employee is required when a discretionary pay differential is used.

TYPES

Matching pay: used to counteroffer a verified job offer or for a compression adjustment (normally base building) when there are documented recruitment or retention difficulties.

Can be base (subject to range maximum) or non-base building (subject to statutory lid).

Signing bonus: used to attract new employees into state personnel system jobs when there is documented recruitment or retention difficulties.

Non-base building lump sum (subject to the statutory lid).

Hint: consider 2 payments, e.g., half when report to work and half after employed for a specified period of time.

Referral bonus: used for current employees who refer people subsequently hired into jobs where there are documented recruitment or retention difficulties.

Non-base building lump sum (subject to the statutory lid).

Hint: consider at least 2 payments, e.g., half when new employee reports and half after employed for a specified period of time.

Temporary pay differentials: used for acting assignments where an employee assumes the **full** set of duties from a higher-level position for more than 30 days and less than 6 months. Used for long-term critical projects that are outside the normal scope of an assignment. Also used to retain a critical set of skills.

Not a replacement for job evaluation, promotions, anniversary increase processes.

Non-base building and paid monthly through regular payroll (subject to statutory lid).

LEGAL DECISION

State Personnel Board decisions are not necessarily binding but may be persuasive in future appeals.

Overpayment of Salary (Case 890-B-62)

Excerpts:

“This case presents an excellent contrast in relevant policy concerns. Obviously an employee should be held accountable for reporting and reimbursing a reasonable detectable windfall received by the employee through error. However, it is absurd public policy to hold an employee accountable for detecting and reporting a purported error so esoteric that only a trained personnel or payroll technician or manager could review the records and detect such an error.”

“An employee’s maximum liability for repayment, should an error go undetected for an extended period of time, shall be for an amount overpaid for two years from the date the error occurred and the overpayment began.”

The above information is general in nature and every attempt is made to keep this information updated. For more information, contact your agency human resources office. Subsequent revisions to rule or law could cause conflicts in this information. In such a situation, the laws and procedures are the official source upon which to base a ruling or interpretation. This document is a guide, not a contract or legal advice. For additional information, contact Total Compensation/Systems at 303-866-2455 or job.eval.comp@state.co.us.